

# City and County of San Francisco

Office of the Controller – City Services Auditor

## AIRPORT COMMISSION:

**Compliance Audit of  
MN Airlines, LLC, dba  
Sun Country Airlines**

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November 6, 2008

**CONTROLLER'S OFFICE  
CITY SERVICES AUDITOR**

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

The audits unit conducts financial audits, attestation engagements, and performance audits.

Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

We conduct our audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

Audit Team: Elisa Sullivan, Audit Manager  
Vivian Chu, Associate Auditor



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
Controller

**Monique Zmuda**  
Deputy Controller

November 6, 2008

San Francisco Airport Commission  
P.O. Box 8097  
San Francisco International Airport  
San Francisco, CA 94128-8097

President and Members:

The Controller's Office, City Services Auditor, presents its report concerning the compliance audit of MN Airlines, LLC, dba Sun Country Airlines (Sun Country). Sun Country has an airline operating permit from the Airport Commission of the City and County of San Francisco to use the landing facilities at the San Francisco International Airport for its air transportation business.

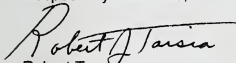
**Reporting Period:** July 1, 2004, through June 30, 2007

**Landing Fees Paid:** \$523,950

**Results:**

Sun Country correctly reported 1,101 revenue aircraft landings, and correctly paid \$523,950 in landing fees to the Airport.

Respectfully submitted,

  
Robert Tarsia  
Deputy Audit Director

cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
Budget Analyst  
Public Library

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# INTRODUCTION

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## **Audit Authority**

The Office of the Controller (Controller) has authority under the San Francisco Administrative Code, Chapter 10, Article 1, Section 10.6-2 to audit, at regular intervals, all leases of city-owned real property where rent of \$100,000 or more a year is to be paid to the City. In addition, the City Charter provides the Controller, City Services Auditor (CSA), with broad authority to conduct audits. We conducted this audit under that authority and pursuant to an audit plan agreed to by the Controller and the Airport.

## **Background**

MN Airlines, LLC, dba Sun Country Airlines (Sun Country), has an airline operating permit from the Airport Commission (Commission) of the City and County of San Francisco to use the landing facilities at the San Francisco International Airport (SFO) for Sun Country's air transportation business. The permit, which commenced on May 21, 2004, requires Sun Country to submit to the Airport Department (Airport) a monthly report showing Sun Country's actual revenue aircraft landings by aircraft type and other landing data necessary to calculate the landing fees. The Airport charges Sun Country a landing fee based on the maximum landing weight of its revenue aircraft landings at SFO. These landings are those for which Sun Country has received or made a monetary fee or charge. For every 1,000 pounds of aircraft landed, the Commission sets a fee that it may change annually. During our audit period, the Airport's fee per 1,000 pounds was \$3.214 for fiscal year 2004-05, \$3.213 for fiscal year 2005-06, and \$3.336 for fiscal year 2006-07.

## **Scope and Methodology**

The purpose of this audit was to determine if Sun Country complied with the reporting and payment provisions of its operating permit. Our audit period was from July 1, 2004, through June 30, 2007.

To conduct the audit, we examined the applicable terms of Sun Country's permit, and the adequacy of its procedures for recording, summarizing, and reporting revenue aircraft landings. We tested whether Sun Country accurately reported its revenue aircraft landings and the maximum landing weights of its aircraft landed at SFO. We also determined whether Sun Country had any outstanding payments due to the Airport for the audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# AUDIT RESULTS

## Sun Country Correctly Reported Its Aircraft Landings and Correctly Paid Its Landing Fees

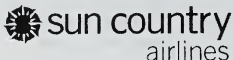
From July 1, 2004, through June 30, 2007, Sun Country correctly reported 1,101 revenue aircraft landings and correctly paid \$523,950 in landing fees to the Airport. The exhibit below shows Sun Country's total reported revenue aircraft landings and the associated landing fees.

EXHIBIT		Number of Reported Landings and Landing Fees Paid July 1, 2004, Through June 30, 2007			
Period/Aircraft Type	Landing Weight (in lbs)	# of Landings	Total Landing Weight (in lbs)	Rate per 1,000 lbs	Landing Fees Paid
July 1, 2004, through June 30, 2005					
B737-800-08-02	146,000	127	18,542,000	3.214	\$ 59,594
B737-800-02-04	146,300	225	32,917,500	3.214	105,797
July 1, 2005, through June 30, 2006					
B737-800-08-02	146,000	101	14,746,000	3.213	47,379
B737-800-02-04	146,300	274	40,086,200	3.213	128,797
July 1, 2006, through June 30, 2007					
B737-800-08-02	146,000	150	21,900,000	3.336	73,058
B737-800-02-04	146,300	224	32,771,200	3.336	109,325
<b>Total</b>		<b>1,101</b>	<b>160,962,900</b>		<b>\$523,950</b>

Source: Airport reports on landing fees and aircraft landings.

# ATTACHMENT: SUN COUNTRY'S RESPONSE

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November 4, 2008

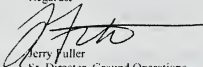
Robert Tarsia  
Deputy Audit Director  
City Hall, room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Mr. Tarsia:

In response to the Draft Report issued by the Airport Commission recent Compliance Audit of MN Airlines, LLC, d/b/a Sun Country Airlines, we find no errors or omissions included in the report. We find this report provides sufficient evidence that reporting systems in place by the San Francisco Airport and Sun Country Airlines are providing clear and accurate data for the purpose of collecting all airport fees and passenger facility charges.

Sun Country welcomed the opportunity to participate in the audit and found the process superior to others we have participated in. We found the auditor efficient and effective in all communication and outcomes. Sun Country agrees appropriate evidence has been provided to conclude the findings are as stated in the Draft Report.

Regards,



Jerry Fuller  
Sr. Director, Ground Operations  
Sun Country Airlines  
Cc: John Fredericksen, VP, Legal  
Edwin Strigl, SFO Station Manager  
Trina Schrader, Accounts Payable

1300 Mendota Heights Road, Mendota Heights, MN 55120  
Corporate Headquarters 651.681.3900 Reservations 800.359.6786 Fax 651.681.3901



# ATTACHMENT: AIRPORT RESPONSE



San Francisco International Airport

San Francisco International Airport  
San Francisco, CA 94120  
Tel: (415) 774-3000  
Fax: (415) 774-3000  
www.sfoairport.com

October 28, 2008

Mr. Robert Tarsia  
Deputy Audit Director  
Office of the Controller  
City & County of San Francisco  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

AIRPORT  
COMMISSION  
CITY AND COUNTY  
OF SAN FRANCISCO

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JOHN L. MARTIN  
AIRPORT MANAGER

**Subject:** MN Airlines, dba Sun Country Airlines

Dear Robert:

The Airport agrees on the audit findings in the attached draft report.

If you have any questions, please feel free to call me at (650) 821-4533

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa Rivor".

Teresa Rivor  
Senior Property Manager  
Aviation Management

Attachment





